

1 MR. SAUM: Thank you, Madam Chair. The colleague that
2 joins me at the table is Daniel Nestel, he is our assistant
3 director of NCAA Federal Relations.

4 CHAIR JAMES: Mr. Saum, before you get started, maybe
5 you can clarify something for this Commission. It was a point of
6 discussion that came up yesterday.

7 Do you know the status of sports betting, people in
8 offices, office pools, betting on the Superbowl, legal or
9 illegal?

10 MR. SAUM: Sports pools that you enter, whether it is a
11 dollar, or 10,000 dollars, would be illegal.

12 CHAIR JAMES: That is certainly my understanding, and I
13 thought it was interesting that the National Gambling Commission
14 needed to sort of clarify that. But that certainly was my
15 understanding. I had a staff person check in the State of
16 Virginia, and it is, indeed in Virginia, illegal for someone to
17 wager on a sports event.

18 MR. NESTEL: Madam Chair, there was an excellent
19 article written on internet office pools by the Wall Street
20 Journal, I believe last Friday, and I can get a copy if other
21 Commissioners haven't seen that.

22 CHAIR JAMES: I just thought it was an interesting
23 point. Thank you, please go right ahead.

24 MR. SAUM: As the National Collegiate Athletic
25 Association's director of gambling activities, I want to extend
26 our organization's appreciation to appear before you again today.

27 I want to remind all of us that the NCAA is a
28 non-profit association of approximately 1,100 colleges and
29 universities, that services, regulates, and promotes

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1 intercollegiate athletics for over 300,000 student athletes, both
2 male and female.

3 Let me assure you, we care deeply about the issues that
4 you are addressing, and are pleased to offer our recommendations.

5 My testimony today will be offered in two parts. I
6 have prepared statements in regards to the internet, and some
7 informal comments regarding the letter that we sent you on
8 January the 28th that included the rest of our recommendations.

9 As I stated to you in November, there are an unlimited
10 number of positive uses of the internet. However, interactive
11 gambling is not one of them. Interactive gaming provides college
12 students with the opportunity to place wagers on professional and
13 college sporting events from the privacy of his or her campus
14 residence.

15 Internet gambling offers the student virtual anonymity,
16 with nothing more than a credit card, the possibility exist for
17 any student athlete to place a wager, via the internet, and then
18 attempt to influence the outcome of the contest while
19 participating on the court or playing field.

20 There is no question that the advent of internet sports
21 gambling poses a direct threat to all sports organizations, that
22 first and foremost must ensure the integrity of the contest being
23 played.

24 The very real potential for point shaving instances is
25 not the only troubling aspect of Internet gambling. If left
26 unchecked, the growth of Internet gambling may be fueled by all
27 college students. After all, who has greater access, and who has
28 greater knowledge on how to use the internet? Our college
29 students.

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1 Many college students have unlimited use of the
2 internet, and most residence halls are wired for internet access.
3 Furthermore, college students now have the means to place wagers
4 over the internet. College campuses are being deluged with
5 representatives from credit card companies offering free gifts to
6 students in return for filling out credit card applications.

7 A recent Nellie May study revealed that 65 percent of
8 undergraduate students have credit cards, and 20 percent have
9 four or more credit cards.

10 Another concern of the NCAA and college administrators
11 is that the internet gambling operations are illegal in this
12 country, under Section 1084 of Title 18 of the United States
13 Code.

14 Even more troubling, while the existing federal law
15 does not impose criminal penalties on those placing sports bets
16 with Internet gambling operations, nearly every state has
17 gambling laws that prohibit sports gambling.

18 In my position with the NCAA I have fielded an
19 increasing number of questions from students, student athletes,
20 and college administrators who are receiving e-mail solicitations
21 from sport book sites on the internet.

22 My message to them is clear. Not only would your
23 participation in this activity result in a serious NCAA
24 violation, but even more importantly, you are committing a crime.

25 It is specially difficult for students to understand
26 that everything found in the internet isn't legal.

27 The best way of addressing internet gambling in this
28 country is to adopt federal legislation that provides for a
29 blanket prohibition of this activity in the United States.

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1 While section 1084 of Title 18 of the U.S. Code has
2 recently been used by federal law enforcement officials to charge
3 18 operators of offshore Internet gambling sites, the current law
4 still needs to be updated.

5 Section 1084 of Title 18 was passed in 1961, and was
6 aimed at sports betting over telephone lines. As you know the
7 internet is quickly moving to a wireless environment that soon
8 will not be covered under Section 1084.

9 Also Section 1084 only prohibits the operation of an
10 internet gambling business. Current federal law does not impose
11 criminal penalties on individual gamblers who place sports bets
12 over the internet.

13 In addition, new civil enforcement mechanisms are
14 needed that will provide law enforcement officials with the
15 option of seeking injunctions requiring internet service
16 providers to block customer access to offshore gambling websites.

17 Last year two versions of federal internet gambling
18 legislation made their way through Congress. One of the bills
19 was introduced by Senator John Kyl, and the other by
20 Representative Bill McCollum.

21 The NCAA strongly endorses Senator John Kyl's approach.
22 The National Association of Attorney's Generals, in an
23 uncharacteristic move, have asked Congress to pass a federal law
24 that will impose a blanket prohibition on internet gambling.

25 While recognizing that gambling issues have largely
26 been left to the states to decide, the states attorney generals
27 have recognized that by its very nature, Internet gambling cannot
28 be kept within any one state border.

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1 Representative McCollum's bill contained a provision
2 that permitted the state to decide whether to prohibit Internet
3 gambling.

4 The NCAA joined the States Attorney Generals in
5 supporting the Kyl bill, in part, because it imposed a uniform
6 prohibition.

7 Finally, and most importantly, a new federal law with
8 stiff criminal penalties will act as a strong deterrent. The
9 NCAA recognizes there is no perfect legislation solution in
10 addressing the issue of Internet gambling. However, Internet
11 gambling is still in its infancy.

12 As the number of on-line sports betting sites continue
13 to grow, it is essential that the United States send a clear
14 message that there is no longer any ambiguity with the passage of
15 new federal legislation. It will be a violation of U.S. law to
16 accept bets over the internet from the U.S.

17 At this early stage in the development of the Internet
18 gambling industry, the deterrent effect may be the most
19 successful result that comes from the passage of an Internet
20 gambling prohibition bill.

21 At this point I would like to briefly review the
22 remainder of the NCAA's recommendations as detailed in your
23 January 28th, 1999 letter.

24 I would like to emphasize to you that all our points
25 are directed to the issue of the integrity of the contest that we
26 are involved in, and also with the youth, and their involvement
27 in gambling at the college level, and obviously where we receive
28 our students athletes from, those individuals at the high school
29 level.

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1 I would also like to emphasize that with our
2 recommendations, our thoughts and ideas, we want to be of
3 assistance. We are not just asking you to make recommendations
4 and someone else do the work. The NCAA is willing to step up to
5 the plate and be a part of all of these recommendations, if you
6 see fit to send them on.

7 The first area that I would like to discuss is the area
8 of research. We have discussed before that six to eight percent
9 of all college students are probable pathological gamblers.

10 We have a Cincinnati, and now a Michigan study, that
11 show that 25 to 35 percent of our male football and basketball
12 students are gambling on college and professional athletics.

13 The Michigan study states that 20 percent of our women
14 are gambling on college or professional athletics. And we also
15 know, through Dr. Shaeffer at the Harvard Medical School, that
16 the youth's path to gambling is through sports wagering.

17 And then, finally, we know that there is no higher
18 prevalence to gambling in a specific age group, than the young
19 people at the high school and college level.

20 In the area of research, our recommendations would
21 include more research to determine our youth's attitudes, the
22 extent of bookmaking operations on college campuses, how do they
23 use the internet, the influence of casino ads, and other factors
24 involving the youth.

25 We would also hope that the research would include
26 information that would help assist us in tailoring education
27 programs, and what is it that will hit, and make an impact on our
28 college students, and our high school students.

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1 The second area that I would like to address in the
2 area of recommendations is the education, the awareness, and the
3 prevention.

4 The first subarea underneath that are the sports help
5 services advertisements. I think we are all familiar with sport
6 help services, those are individuals, or businesses, or phone
7 numbers that bettors call to receive information on who it is
8 they should bet on. We are very concerned on a number of fronts
9 in this regard. First, the issue of consumer fraud. We have
10 anecdotal information that these individuals if you call the
11 first time, they may give you team A, and you call them the
12 second time they will give you team B.

13 We also have folks on the inside of those operations
14 that have shared that information, let alone the individuals who
15 contact us with their poor experiences. We also believe that sports
16 help advertisements outside of the state of Nevada, encourage
17 illegal sports wagering across the United States. The sport help
18 services serve no purpose outside of the state of Nevada, since
19 sport wagering is illegal.

20 The second area would be further government support in
21 developing gambling education and addiction prevention programs.

22 We need to make sure that our students are aware of the
23 economic, social, and legal ramifications, as well as the health
24 risks involved in the area of gambling.

25 In this area we also would submit to you to consider
26 the idea of a national summit to address this issue of youth's
27 involvement in gambling and sports wagering. We would suggest
28 bringing together amateur sports organizations, professional

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1 sports organizations, the media, educators, and other individuals
2 such as legislators and regulators.

3 And, again, the NCAA is willing to take a leadership
4 role in this activity if you so choose to recommend this
5 activity.

6 We also believe in this area that the health care
7 professional and industries need to be encouraged to further
8 study the issue of gambling so the health care industry is
9 prepared to counsel our students and our student athletes on our
10 college campuses.

11 Our final area of recommendations include the area of
12 law enforcement, and new federal legislation. Again, this is a
13 priority to help assist our youth in fighting this sport wagering
14 difficulties that they encounter.

15 We would encourage you to consider recommending that
16 the Justice Department, United States Attorneys, the FBI, and
17 state governments to continue to enforce and make a priority the
18 enforcement of present sports wagering laws, sports bribery laws,
19 racketeering laws, and the entire issue of the internet.

20 We need to emphasize to these groups that what we are
21 dealing with here is a crime, and that it is not victimless, that
22 there are many victims in this regard.

23 We have had the opportunity to visit with Attorney
24 General Reno's Advisory Council, which is made up of 16 United
25 States Attorneys, and they had an interest in this. But we need
26 to further encourage the United States Attorney's office, the
27 Justice Department, to make this a priority.

28 And as a result of that we would gain the FBI's
29 assistance in reviewing further information. We would also

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1 encourage consideration be given that the Justice Department
2 convene a special taskforce to further review the issue of sports
3 wagering, primarily to raise awareness in regards to illegal
4 sports wagering across the country.

5 And, finally, in regards to the State Attorney
6 Generals, we would encourage that they enforce their state
7 gambling laws, and that the Commission send a message of the
8 importance of possibly the State Attorney Generals making an
9 impact, making a statement in regard to the consumer fraud issues
10 involving the sports help services.

11 In conclusion, we would like again to say to you that
12 we appreciate the opportunity to visit with you. And I want to
13 emphasize again, as I did at the beginning, the NCAA is ready to
14 step up to the plate and do our part in this. We are not asking
15 you to do our work, we are merely asking you to consider our
16 recommendations to help us raise awareness in this area of youth
17 problems in gambling and sports wagering.

18 Again, we appreciate the opportunity to be before you,
19 and we would appreciate the opportunity, also, to answer any of
20 your questions. Thank you.

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